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INFO RUEHBR/AMEMBASSY BRASILIA 9165
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RUEHMD/AMEMBASSY MADRID 1319
RUEHME/AMEMBASSY MEXICO 0682
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RUEHQT/AMEMBASSY QUITO 0110
RUEHSG/AMEMBASSY SANTIAGO
RUCPDO/DEPT OF COMMERCE WASHDC
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SENSITIVE
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SUBJECT: COLOMBIAN TELECOM: VM TALKS UP SATELLITE, PLEDGES
PROGRESS ON DISPUTES

REF: 08 BOGOTA 3583

¶1. (SBU) SUMMARY. Viceminister of Communications Daniel Medina explained to us the benefits to governance, education, health, and quality of life the GOC hopes to reap by launching a satellite in 2012. He expressed the importance the GOC attaches to a clean and transparent bidding process. Emboffs noted that three U.S. companies plan to bid on the project, which is expected to be awarded before the end of ¶2009. Medina noted that the newly enacted telecommunications law should help form the basis of resolving several pending disagreements between the Ministry and U.S. firms. END SUMMARY.

SATELLITE TO CONNECT REMOTE AREAS OF COLOMBIA

¶2. (U) Colombia's satellite project (Satcol) is an integral piece of its "Todos los Colombianos Conectados y Informados" (All Colombian Connected and Informed) strategy. According to VM Medina, Colombia currently has approximately 24,000 "public internet connectivity points" (including schools, hospitals, libraries, local governments, and military battalion headquarters.) In addition to bringing telecommunications costs down by an estimated 30-35 percent, Satcol will help expand this number to 50,000 and bring internet and telephony to areas whose geography, climate, and sparse population make land-based connectivity unrealistic. Medina emphasized Satcol's expected role in increasing state presence, improving medical services, and strengthening social cohesion in rural (especially Afro-Colombian and indigenous) communities.

SATCOL BID PROCESS MOVING FORWARD QUICKLY

¶3. (U) The Ministry has released an initial draft of terms of reference for the approximately USD 250 million satellite project and will hold public meetings in the coming days to define risk-sharing and finalize the terms of reference. The GOC has said it plans to announce the winning bid in November. Colombia is looking for a 2012 launch of the satellite, which will remain in a geostationary orbit for 15 years.

¶4. (SBU) Three U.S. companies (Lockheed Martin, Orbital

Sciences, and Space Systems/Loral) are expected to join several other international firms in bidding on the project. Medina acknowledged that a large bid like this one inevitably generates rumors as part of the competitive process. In particular, he expressed concerns over: 1) potential USG authorizations required of U.S. companies' participation; 2) potential USG limitations on orbital positions if a U.S. company were to win; and 3) potential restrictions on basing the satellite control station in Colombia, which he characterized as a sine quo non.

¶15. (SBU) Embossos pledged to work closely with the Ministry and U.S. bidders to clear up any potential doubts associated with USG requirements so that U.S. companies would not be disadvantaged by misinformation or misunderstandings. Commercial Counselor noted some concerns over changing dates of public meetings and the relatively short timeframe between the release of terms of reference and the due date for bidders to translate into Spanish and submit their bids. Medina acknowledged the issues and pointed to President Uribe's interest in having the contract awarded before the end of the year as the reason for the short timetable. (COMMENT: Under a typical satellite bid, a government would already have its orbital slot. The fact that Colombia does not is coloring the bid effort. END COMMENT.)

NEW TELECOM LAW MAY RESOLVE U.S. COMPANY ISSUES

¶16. (SBU) Medina reviewed several ongoing disputes between the Ministry and U.S. companies and pointed to the new

telecommunications law (Law 1341 of 2009, promulgated on July 31) as a positive step forward. Diveo and Avantel were both disadvantaged by the Ministry's decision to lower the cost of some frequencies (used by their competitors) but not on others (used by these two companies). The Ministry admitted in March 2009 that this was unintentional and committed to issue a decree remedying the situation. According to Medina, having the new law on the books was required in order for the Ministry to submit the long-promised decree to the President's office. (NOTE: Medina said (not for the first time) that he hoped the decree would move within 1-2 weeks. END NOTE.)

¶17. (SBU) Medina pointed out that the new law had already given the Ministry the discretion to resolve another of Avantel's complaint -- that its license terms were more restrictive than those of its competitors. Medina mentioned that the Ministry was in discussions with Avantel about a series of measures to address the company's concerns, including: 1) passing the aforementioned decree to lower the cost of the spectrum Avantel uses; 2) decreasing Avantel's required payment under the telecommunications tax; 3) opening the 2.5 GHz frequency only to specialized operators, such as Avantel; and 4) compensating the company for interference on frequencies for which Avantel had licenses.

¶18. (SBU) Regarding the case of Sprint Communications, Medina noted that the company's formal complaint against Colombia Telecomunicaciones (a Spanish-Colombian joint venture) of unfair competition and abuse of monopoly position was currently before the Superintendent of Commerce (where it has been since January, 2009) and therefore outside the jurisdiction of the Ministry of Communications. Nonetheless, he committed to continue to raise within the GOC the importance of resolving the issue.

Brownfield